

timing of a carrier's withdrawal make administration of the contract inconvenient;

(e) When it is not in the interests of the Government to either recognize a successor in interest or to immediately terminate the existing FEHBP contract.

### **PART 1643—CONTRACT MODIFICATIONS**

**AUTHORITY:** 5 U.S.C. 8913; 40 U.S.C. 486(c); 48 CFR 1.301.

**SOURCE:** 62 FR 47575, Sept. 10, 1997, unless otherwise noted.

#### **Subpart 1643.2—Changes**

##### **1643.205–70 Contract clause.**

The clause set forth in section 1652.243–70 shall be inserted in all FEHB Program contracts.

### **PART 1644—SUBCONTRACTING POLICIES AND PROCEDURES**

#### **Subpart 1644.1—General**

**Sec.**

1644.170 Policy for FEHB Program subcontracting.

##### **Subpart 1644.2—Consent to Subcontracts**

1644.270 FEHBP contract clause.

**AUTHORITY:** 5 U.S.C. 8913; 40 U.S.C. 486(c); 48 CFR 1.301.

**SOURCE:** 52 FR 16043, May 1, 1987, unless otherwise noted.

#### **Subpart 1644.1—General**

##### **1644.170 Policy for FEHB Program subcontracting.**

(a) *General policy.* Carriers must follow commercially reasonable procurement procedures that comply, when required, with the Federal Acquisition Regulations (FAR) policies and procedures relating to competition and contract pricing for the acquisition of both commercial and noncommercial items.

(b) *Consent.* For all experience-rated contracts, carriers will notify the Contracting officer in writing at least 30 days in advance of entering into any subcontract or subcontract modifica-

tion, or as otherwise specified by the contract, if: the amount of the subcontract or the amount of the subcontract and modification charged to the FEHB Program equals or exceeds \$550,000 and is at least 25 percent of the total subcontract's costs. The amount of the dollar charge to the FEHB Program shall be adjusted by the same amount and at the same time as any change to the threshold for application of the Truth in Negotiations Act pursuant to 41 U.S.C. 254b(a)(7). Failure to provide advance notice may result in a Contracting officer's disallowance of subcontract costs or a penalty when considering the performance aspect of the carriers' service charge.

(1) All subcontracts or subcontract modifications that equal or exceed the threshold are subject to audit under FAR 52.215–2 "Audit and Records-Negotiations" if based on cost analysis, and subject to the provisions of 48 CFR 1646.301 and 1652.246–70 "FEHB Inspection" if based on price analysis.

(2) In determining whether the amount chargeable to the FEHB Program contract for a given subcontract or modification equals or exceeds the \$550,000 threshold, the following rules apply:

(i) For initial advance notification, the carrier shall provide the total cost/price for the base year.

(ii) The carrier shall provide advance notification of any modifications, options, including quantity or service options and option periods, and renewals of "evergreen contracts" that cause the total price to equal or exceed the threshold. OPM's review will be of the modification(s), itself, but documentation for the original subcontract will be required to perform the review.

(iii) The \$550,000 threshold will be adjusted by the same amount and at the same time as any change to the threshold for application of the Truth in Negotiations Act.

[70 FR 31382, June 1, 2005, as amended at 71 FR 3016, Jan. 19, 2006]

### **Subpart 1644.2—Consent to Subcontracts**

#### **1644.270 FEHBP contract clause.**

The clause set forth at section 1652.244-70 shall be inserted in all experience rated FEHBP contracts.

[62 FR 47576, Sept. 10, 1997]

## **PART 1645—GOVERNMENT PROPERTY**

AUTHORITY: 5 U.S.C. 8913; 40 U.S.C. 486(c); 48 CFR 1.301.

SOURCE: 62 FR 47576, Sept. 10, 1997, unless otherwise noted.

### **Subpart 1645.3—Providing Equipment**

#### **1645.303-70 Contract clause.**

The clause set forth in section 1652.245-70 shall be inserted in all FEHB Program contracts.

## **PART 1646—QUALITY ASSURANCE**

### **Subpart 1646.2—Contract Quality Requirements**

Sec.  
1646.201 Contract Quality Policy.

### **Subpart 1646.3—Contract Clauses**

1646.301 Contractor inspection requirements.

AUTHORITY: 5 U.S.C. 8913; 40 U.S.C. 486(c); 48 CFR 1.301.

### **Subpart 1646.2—Contract Quality Requirements**

#### **1646.201 Contract Quality Policy.**

(a) This section prescribes general policies and procedures to ensure that services acquired under the FEHB contract conform to the contract's quality and audit requirements.

(b) OPM will periodically evaluate the contractor's system of internal controls under the quality assurance program required by the contract and will acknowledge in writing whether or not the system is consistent with the requirements set forth in the contract. After the initial review, subsequent re-

views may be limited to changes in the contractor's internal control guidelines. However, a limited review does not diminish the contractor's obligation to apply the full internal control system.

(c) OPM will issue specific quality performance standards for the FEHB contracts and will inform carriers of the applicable standards prior to negotiations for the contract year. OPM will benchmark its standards against standards generally accepted in the insurance industry. The contracting officer may authorize nationally recognized standards to be used to fulfill this requirement. FEHB carriers will comply with the performance standards issued by OPM.

(d) In addition to reviewing carriers' quality assurance programs, OPM will periodically audit contractors, subcontractors and Large Providers' books and records to assure compliance with FEHB law, regulations, and the contract.

[70 FR 31382, June 1, 2005]

### **Subpart 1646.3—Contract Clauses**

#### **1646.301 Contractor inspection requirements.**

The clause set forth at 1652.246-70 shall be inserted in all FEHBP contracts.

[52 FR 16044, May 1, 1987]

## **PART 1649—TERMINATION OF CONTRACTS**

Sec.  
1649.002-70 Applicability of the FAR to FEHB acquisitions.

### **Subpart 1649.1—General Principles**

1649.101-70 FEHBP renewal and withdrawal of approval clause.

1649.101-71 FEHBP termination for convenience clause.

1649.101-72 FEHBP termination for default clause.

AUTHORITY: 5 U.S.C. 8913; 40 U.S.C. 486(c); 48 CFR 1.301.

SOURCE: 52 FR 16044, May 1, 1987, unless otherwise noted.